MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2021/2022

DMG5014 – MANAGEMENT ACCOUNTING 1

(All Sections/Groups)

25 APRIL 2022
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **5** pages with **5** questions.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Show workings where necessary.

QUESTION 1

Part A

Product costs do not become expenses until the company sells the finished goods inventory whereas period costs are expensed when incurred.

Required

Based on the above statement, classify the following costs as either product costs or period costs. (5 marks)

1) Property taxes on plants.
2) Advertising.
3) Utilities used in office building.
4) Freight-out.
5) Wages paid for production workers.
6) Rent on factory machines.
7) Depreciation on finished goods warehouse.
8) Repairs on office equipment.
9) Sales commissions.
10) Electrical components used in assembling computers.

Part B

Fraser Manufacturing Sdn. Bhd. has provided the following financial data for January 2022.

	Amount (RM)
Work in process inventory, 1 January	15,000
Work in process inventory, 31 January	18,000
Raw material inventory, 1 January	32,000
Raw material inventory, 31 January	30,000
Finished goods inventory, 1 January	25,000
Finished goods inventory, 31 January	20,000
Sales revenue	120,500
Raw material purchased	30,000
Wages for production line workers	13,000
Salaries for indirect labour	12,500
Depreciation on factory plant and machines	250
Administrative expenses	15,000
Selling and marketing expenses	14,500
Factory supplies used	1,500
Factory insurance expired	150
Factory utilities	8,000

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Required

(a) Prepare a Cost of Goods Manufactured Schedule for Fraser Manufacturing Sdn. Bhd. for January 2022. (9 marks)

(b) Prepare an Income Statement for Fraser Manufacturing Sdn. Bhd. for January 2022. (6 marks)

(Total: 20 marks)

QUESTION 2

Jati Jaya Company started business in 2021. It uses job order costing. The company chooses machine hour as a basis in applying overhead costs to products. The following information is for the year 2021.

(1) Estimated annual overhead costs were RM160,000 and the company expected to work 8,000 machine hours during the year.

(2) During 2021, five jobs were started into production. Direct material costs and direct labour costs were charged to the jobs accordingly.

Jobs	Direct materials	Direct labours
Job A	RM50,000	RM15,000
Job B	RM30,000	RM25,000
Job C	RM80,000	RM9,000
Job D	RM120,000	RM18,000
Job E	RM10,000	RM5,000

(3) The actual direct labour hours and machine hours used to produce each job are as follows.

Jobs	Direct labour hours	Machine hours
Job A	1,000	2,500
Job B	1,650	3,000
Job C	600	1,000
Job D	1,200	700
Job E	330	500

(4) Job A, C and Job D were completed during the year but only Job C and D were sold by the end of the year on credit terms with an 80% profit on manufacturing costs. The rest of the jobs are still in production.

Required

(a) Calculate the predetermined overhead rate. (2 marks)

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(b) How much overhead is applied to each job? Show workings where necessary. (5 marks)

(c) Calculate the total manufacturing costs for all completed jobs. Show workings where necessary. (6 marks)

(d) How much is the balance in the work in process inventory at the end of the year? (4.5 marks)

(e) How much gross profit did the company earned during the year? (2.5 marks)

(Total: 20 marks)

QUESTION 3

Part A

Sonic Manufacturing has three production departments: Mixing, Baking and Packaging. The beginning inventories for November 2021 were as follow.

Raw materials	RM10,000
Work in process-Mixing	7,400
Work in process-Baking	5,300
Work in process-Packaging	4,800
Finished goods	12,000

During November, the following transactions occurred.

1. Purchased additional raw materials amounted to RM60,000. The company paid RM20,000 in cash and the balance will be on account.
2. Incurred factory labour wages RM23,000, plus RM12,000 employer payroll taxes.
3. Incurred RM32,000 of manufacturing overhead which was still unpaid.
4. Assignment of costs:

Direct materials	Mixing: RM10,000, Baking RM8,000 and Packaging RM15,000
Indirect materials	RM7,000
Direct labour	Mixing: RM8,000, Baking RM4,000 and Packaging RM8,000
Indirect labour	RM15,000
Manufacturing overhead applied	Mixing: RM12,000, Baking RM10,000 and Packaging RM15,000

5. Transferred goods costing RM35,000 from Mixing Department to Baking Department and RM60,000 from Baking Department to Packaging Department.
6. Transferred completed goods costing RM98,000 from Packaging Department to the finished goods warehouse.

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Required

Journalise the transaction for November. (14 marks)

Part B

The Assembly Department of Tita Manufacturing has the following production data for August. Materials are entered at the beginning of the process.

Beginning inventory 20,000 units that are 100% complete as to material and 60% complete as to conversion costs; unit started during the period are 60,000; ending inventory of 14,000 units 30% complete to conversion costs.

Required

Compute the equivalent units of production for material and conversion costs for the month of August using the weighted average method. Show workings where necessary.
(6 marks)

(Total: 20 marks)

QUESTION 4

Vitta Company produces and sells stainless steel tumblers. The company has fixed costs of RM400,000 each month plus variable costs of RM15 per unit of a tumbler. Vitta Company sells each tumbler for RM25.

In October 2021, Vitta Company sold 50,000 units of the tumbler.

Required

(a) Compute the contribution margin ratio. (2.5 marks)

(b) Compute the number of tumblers the company must sell each month to break-even. Was the company able to break-even in October? (3 marks)

(c) Prepare a CVP Income Statement for October 2021 for Vitta Company. Show workings where necessary. (4.5 marks)

(d) Calculate the margin of safety ratio for the company in October. Explain the determined margin of safety ratio. (4 marks)

(e) If the company would like to earn RM150,000 net income, what is the required monthly sales in Ringgit Malaysia? (3 marks)

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(f) The company is considering an expansion that will increase fixed costs by RM120,000 and increase the variable costs to RM17 per unit. If the company wants to maintain the selling price, compute the new break-even point in units.

(3 marks)

(Total: 20 marks)

QUESTION 5

Mello Industries Sdn. Bhd presented its Income Statement as below.

Mello Industries Sdn. Bhd
Income Statement
For the year ended 31 December 2021

Sales		RM2,000,000
Less: Cost of goods sold:		
Beginning inventory	RM-0-	
Add: Cost of goods manufactured	900,000	
Cost of goods available for sale	900,000	
Less: Ending inventory	300,000	
Cost of goods sold		600,000
Gross profit		1,400,000
Less: Selling and admin expenses		600,000
Net operating income		RM800,000

Fixed manufacturing overhead totalled RM300,000 each year. Variable selling and administrative expenses were RM2 per unit sold. There is no beginning inventory for the year. The company produced 150,000 units and was able to sell 100,000 units during the year 2021.

Required

(a) Compute the unit product cost under variable costing. (3 marks)

(b) Prepare a new Income Statement under variable costing. Show workings where necessary. (10 marks)

(c) Which costing approach will produce a higher income? Why? (5 marks)

(d) Reconcile the difference in the net income under the two costing approaches. Show workings where necessary. (2 marks)

(Total: 20 marks)

End of Paper